**URBANIZATION IN PAKISTAN[[1]](#footnote-1)**

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Economic theory suggests that Structural transformation usually takes place when resources are reallocated from low productivity agriculture to high productivity industry and services sectors. Cities and urban areas are the magnets for location of these sectors which benefit from migration of the surplus and underemployed labour. Rapid economic growth is therefore associated with urbanization. The pace of urbanization is, in turn, accelerated with a larger response of migration.

Empirical evidence shows that no country has grown to middle income status without industrializing and urbanizing. None has grown to high income without vibrant cities. Between 1980 and 1998, 86 percent of the growth in value added in developing countries came from the manufacturing and services sector. Rapid productivity gains mainly reflected improvements in the industry and services. Between 1985 and 2005, the urban population in developing counties grew by more than 8.3 million a year. With falling costs of Transport and communication and a greater potential for exploiting scale economies, towns and cities have grown bigger and denser.

However, these gains are neither guaranteed nor are automatic but are much dependent on how urbanization is managed. Urbanization can increase overall prosperity or produce congestion and squalor and widen the income disparities with the rural areas. The preoccupation with these disparities can in turn jeopardize competitiveness. Institutions, infrastructure and incentives provide the foundation for urbanization. China has successfully managed both rapid growth and pace of urbanization by investing in all these three dimensions. On the other hand some African countries have experienced urbanization without growth.

Research by the World Bank presented in the World Development Report 2009 shows that three attributes of Development – geographic unevenness, circular causation and neighborhood effects – have not received much attention.

The first attribute of development – geographic unevenness implies that governments generally cannot simultaneously foster economic production and spread it out smoothly. Circular causation makes it possible for Rising concentrations of economic production to become compatible with geographic convergence in living standards. The market forces of agglomeration, migration and specialization can yield both a concentration of economic production and a convergence of living standards. The third attribute of neighborhood effects suggests that spillovers point to the promise for surmounting the handicap of unevenness and circularity. Economic integration is an effective and the most realistic way to harness the immediate benefits from concentration to achieve the long-term benefits of convergence.

The growth of economies and population density in towns and cities lead the countries to reach per capita income of $3,500. At that point they cross over to the category of upper middle income group. As countries develop, economic density in some places increases as more people move to live or near towns and cities. The urban share of the population rises to 50 percent when countries become upper middle income or the other way around. The cause and effect relationships are not clearly established. These spatial transformations are closely related to sectoral transformation from agrarian to industrial to services. Evidence indicates that the shift from farming to industry is helped, not hurt, by healthy agriculture which helps towns and cities prosper. People move to make their lives better. But when agriculture is doing well, migration makes not only the migrants better off, but also the villages they leave and the cities in which they settle. Urbanization facilitates agglomeration as moving goods, people and ideas become cost effective. Agglomeration economies concentrate manufacturing production facilitating growth of services sector. Productive jobs are created that attract migrants from rural areas whose average incomes improve considerably. These workers send a portion of their income as remittances to their families living in the rural areas which help in upgrading their living standards. This brings the leading and lagging regions closer in economic and social terms. Movement of excess or underemployed labor from the farms raises agricultural productivity and relatively higher income for those left behind as farm workers. Non-farm employment is also created as a result of the improved farm incomes. Absorption of rural migrants in industrial and services sector also generates higher incomes in the towns and cities. The aggregate demand effect on the economic production is therefore overall upward sloping.

One problem is that the unit cost to invest in rural areas for building infrastructure is relatively higher because of the dispersal of population over long radiuses. As cities, are more densely populated these costs are only a fraction of those in the rural areas. Efficiency criterion in the allocation of resources therefore favors investment in urban infrastructure. But this is a static concept of allocative efficiency. In the medium and long term the higher per capita incomes in urban areas create demand for income elastic products such as milk, dairy products, meat, poultry, fruits and fish. The returns to the farmers on these products are higher than on cereals such as wheat or rice. As the production of these commodities expands, rural incomes rise. Along with remittances from the cities, their demand for consumer goods that are manufactured in the urban areas also rises. Therefore, public policy should favor investment in the rural areas in the first instance by allocating a larger share of provincial revenues. They should empower the City Governments to mobilize their own resources. For example, Property tax, if properly assessed and collected can finance most of the needs of Karachi. This allocation of resources to improve, rural connectivity, market integration and delivery of basic services such as Education would have a payoff over time.

 This cycle of interdependency will be further reinforced when large supermarkets, hyper markets and departmental stores cut the middle men and procure their supplies directly from farmers. In this process, the farmers’ incomes received for their traditional products would also increase. It has been found that the families who are better off economically send their children to schools rather than keep them on the farms. This is the way the lagging regions will be able to catch up with the leading regions and convergence will take place. Rural-urban income disparities will be minimised and the fruits of economic growth widely shared.

 This integration between lagging and leading regions can best be done by unleashing the market forces of agglomeration, migration and specialization not by fighting or opposing them.

Pakistan is one of the fastest urbanizing countries in South Asia and the share of urban population has risen from 17 percent in 1951 to 37 percent in 2010. Projections show that in next 10 to 15 years half of the population will be living in urban areas. Population growth and net migration are the major forces behind urban growth. About one-fifth of the annual rise in urban population can be attributed to net migration. Large cities (with population of 1 million and above had a share in the total population of 50 percent in 1998 which by now would have risen to at least 60 percent or more. Urban areas contribute 80 percent of GDP, almost all the country’s tax revenues, and account for 60 percent of the employed labor force. Urban poverty rate is almost one half of that the rural poverty rate. Per capita income levels and growth rates have also been relatively higher in the Urban areas. Literacy and Enrolment ratios for both males and females are also better. Despite these positive outcomes, Public policy towards urbanization in Pakistan has been that of sporadic spurts when enlightened political leaders assumed power but in general lacks foundational stability or consistent planning or execution. A cursory look at the large urban conglomerates in Pakistan which have been growing at 3 percent annually does not provide a satisfactory picture. Master plans have been prepared with great effort and at considerable costs only to be breached in their practical applications or execution. Between 35 and 50 percent of the urban population still live in Katchi Abadis. In Karachi, there are 500 such informal settlements while in Lahore more than 300. Islamabad has been spared the agony because the Master plan formulated fifty years ago is still the main guiding instrument and the deviations are far and few. Lahore has benefitted by the personal interest taken in its growth by successive Chief Ministers over last 15 years. Sialkot is atypical because the local citizens and the business community took matters in their own hands and created productive infrastructure and connectivity without the involvement of the government. Karachi saw some semblance of better governance when it had its own City District Government structure in place between 2002 and 2008. Since 2008, Karachi has suffered from benign neglect as the institutional structure of the City District Government and Town Councils was abolished without any alternative system. Land, Water, Transport Mafias and Criminal gangs have assumed ascendency to the larger detriment of the citizens of Karachi. Negative externalities have turned Karachi into a highly polarized, deeply contested an almost unlivable metropolis.

Peshawar, Quetta, Faisalabad, Rawalpindi have witnessed some mixed outcomes at different time periods but overall do not present a wholesome picture. Gujranwala, Hyderabad and Sukkur are typically the worst examples of unplanned urban sprawl. Multan has made some modest progress in infrastructure development in the last five years.

Public policy makers in Pakistan have not paid much attention or allocated adequate resources for urban development or services because of the fear that they may antagonize the majority of legislators who hail from the rural constituencies. The rural-urban divide has been a major cause of concern and instead of building linkages and synergies this divide has created an environment of adversity and confrontation. Instead of assuming a zero sum game the urban-rural synergy can in fact lead to a positive sum game resulting in a win-win situation for both the rural and urban population. Large metropolitan areas can spawn Intermediate cities and town through better connectivity and these in turn can serve as the pivots for the rural areas. The larger cities can draw workers from these towns through commuting. Towns can draw sustenance from the agricultural activity of the rural areas if a network of Farm to Market Roads is built connecting the two. Town would become market centres for agricultural output, places of seasonal job opportunities for farm labour and as providers of secondary education and health care services. This prosperity of towns can spill over to villages through non-farm employment opportunities

The World Development Report 2009 argues that the way to get the benefits of uneven growth as well as inclusive development is through economic integration. Some places are doing well because they have promoted transformation through Higher densities, as seen in the growth of cities and shorter distances, as workers and businesses migrate closer to density.

Agglomeration takes place when the firms of a specific industry locate together in a neighborhood. When the scale of an activity expands, the production of many intermediate services become profitable. The firms co-located are therefore able to get better access to suppliers of inputs of goods and services and also to a pool of skilled workers who are attracted to these locations. Smooth flow of information, technology spillovers and Intra-industry linkages act as externalities. However, these externalities can turn into diseconomies if the cities where firms are clustered suffer from lack of basic urban infrastructure services and also face traffic congestion, environmental degradation air and water pollution.

**STRATEGY FOR THE FUTURE**

The strategy for the future should therefore focus on (a) developing and strengthening synergetic linkages between urban and rural areas and (b) Managing Urbanization.

**Rural-Urban Integration**

More than half of the rural households in Pakistan are landless and therefore the head of theses households form a natural group for migration in search of better jobs, higher wages and acquiring ability to remit a portion of this income to their families back home. Rural –urban migration and urban-overseas migration would therefore remain an essential part of their coping strategy. It would be romantic idealism to imagine that in view of such powerful push and pull factors migration to urban areas will recede. On the contrary, the electronic media now available widely in even the remotest villages of the urban citizens further reinforces this trend. It would be advisable to think of linking and integrating the rural-urban economies rather than wishing the impulses for migration will go away with rural developing only. Agricultural productivity gains through efficient water use, land leveling, high yielding seeds, increase use of mechanization and diversification into value added products would further reduce the demand for labor. Rural-urban migration is an essential ingredient for the structural economic transformation.

Agricultural sector is itself undergoing a major intra sectoral change. Major and minor crops form a smaller proportion of agriculture sector value added today compared to ten years ago and the share of livestock, dairy, fisheries and horticulture has been gradually rising. The growing dairy industry is an illustrative example of the synergetic linkages between cities and villages. Most of the milk is produced in the rural areas but is consumed in the cities. Milk collection, transportation, processing and pasteurization, packaging and retail distribution form an entire value chain which is shared among the agriculture, industry and services sectors benefitting both the rural and urban segments of the population. Meat and poultry consumption is also on a secular rise and the location of abattoirs and poultry farms near the cities would further contribute to this inter-linkages. More than half the value addition in these subsector takes place after these products leave the farm.

Investments in agriculture R&D, soil and water management, veterinary and animal husbandry services, storage and cool chains, refrigerated transportation etc. are important to realize the supply potential of agriculture. Investments in roads, logistics, processing, packaging and organized retailing will strengthen the seamless flow of investments will also augment the incomes of the farmers which, in turn, will push the demand for consumer goods produced in the cities. Mobile phones and satellite, cable TV channels are beginning to blue the distinctions between the urban and rural life styles.

Land Markets do not function well because land titles are not clear, documentation and records remain incomplete and are subject to manipulation, and the control of the petty bureaucrats is overwhelming. Eighty percent of the litigation in the courts of Pakistan pertains to land disputes. If land markets work well, land will be mobile between users and allocated productively.

**Managing urbanization**

The vicious cycle of unrealistic planning, unsatisfactory execution, weak enforcement of bylaws and standards, poor financial situation of the City Governments, fragmented boundaries and overlapping jurisdictions has, in Pakistan, tilted the balance of externalities agglomeration and scale economies towards the negative Zone. How to break this vicious cycle is the major challenge for managing urbanization.

The starting point should be the devolution of administrative and financial autonomy for governing the cities – both large metropolises as well as Intermediate cities.

The 18th amendment has devolved powers from the Federal to the Provincial financial resources. But this devolution will remain incomplete and impervious to the needs of the common citizens until such time that a system of strong District Governments is put in place. The capacities of the District Governments have to be built so that they can fulfill their responsibilities. Institutional reforms will also extend to Land Markets, Labour Markets and delivery of basic services.

The management of the large cities should be exclusively in the domain of the Metropolitan Governments headed by an elected Mayor. Master planning, Land allocation and use, public transport, housing, infrastructure development, parks and amenities, water, sewerage and solid waste disposal should fall exclusively under the control of these MGs. For intermediate cities, City District Governments with the requisite administrative powers and financial resources would be the appropriate vehicle. In the absence of these governing mechanisms, Katchi-Abadis and slums, inadequate municipal services, substantial infrastructure gap, poor and expensive transport would continue to persist. The overlapping and parallel jurisdictions of various bodies within the domain of the city or metropolitan governments have created fragmentation. They will all have to be brought under the Master Planning discipline of the Metropolitan government. They will be able to carry on the municipal functions within their respective jurisdiction but abiding by the rules, norms, standards, specified in the Master Plan.

The second major challenge is the mobilization and sustainability of urban public finances. Urbanization in Pakistan has become synonymous with informalization of the economy. Most of the migrants from the rural areas are absorbed in the informal economy. This poses a serious problem for urban public finances. As the increased influx of population along with natural growth imposes a burden for expanding water, sanitation, sewerage, public transport and other urban infrastructure services the proportion of those paying taxes and user charges for these services keeps on declining. Those already in the tax net are asked to pay more and more out of their incomes while receiving poor services in return. In other similar situations, they vote by feet by migrating to suburbs where the tax burden is lower. In Pakistan, the tendency is to evade the taxes by bribing the officials or using their influence and connections. This further reduces the growth of overall tax collection while the expenditures keep on rising affecting the financial situation of the cities. Municipal Bonds, an oft used instrument for financing lumpy long gestation infrastructure projects, cannot be invoked because of the poor financial health of the city Governments. Thus the future orderly planned growth of cities is constrained by lack of financing viability.

The third issue pertains to thesanctify and observance of the Master plan. Master plan preparation and execution for all the major urban settlements in the country is the key ingredient of urban management. Generating new spaces or rejuvenating existing spaces for absorbing future inflows into cities requires investment in infrastructure and efficient delivery of basic public services and would remain an abiding constraint.

The problem arises when the plans are reduced to pieces of paper and the execution is more in violation rather than in adherence to the plan. Enforcement of by laws, rules, zoning laws, seldom takes place because of the rampant corruption, malpractices, nepotism and favoritism prevailing in the Building Control Authorities. Unless transparency and good governance are introduced and practised no amount of exhortation would bring about any changes in the present system of Urban sprawl, squatter and slum settlements, shortages of supplies of water & sewerage, rickety old urban transport system.

**Regional Growth Poles**

The third component of this strategy is another possible initiative that needs some consideration. This is to use the border areas between the neighboring countries as growth poles. Gravity models suggest that the lower is the distance between two cities the larger is the flow of goods and services between them. Border trade in both sides of Kashmir has already been allowed. It is time to extend the notion of Regional Growth Poles to other border districts. Gurdaspur, Amritsar and Firozpur in India with Lahore in Punjab; Jaisalmer, Bikaner and Barmer in Rajasthan with Ghotki, Tharparkar and Mirpurkhas in Sindh; Quetta-Chaman with Kandhar in Afghanistan; Peshawar with Jalalabad in Afghanistan; Zahedan in Iran with Chagai in Pakistan; Kashargar in China with Sust in Pakistan. Most of these areas are capable of agglomeration economies and can be developed as Special Economic zones on the lines of such as Shenzen which got a boost from its proximity to Hong Kong. Regional Integration can thus be used for developing the backward areas of the country and managing orderly urban growth that will result from economic resurgence and stimulus provided by these regional integration Economic ties will also ultimately ease political tensions if any and will be harbinger for peaceful and harmonious relations between the neighboring countries

1. Keynote address delivered at South Asia Cities Conference and Pakistan Urban Forum held at Karachi on January 9, 2014. [↑](#footnote-ref-1)